DECEMBER 20, 1982 TWO DOLLARS AND FIFTY CENTS

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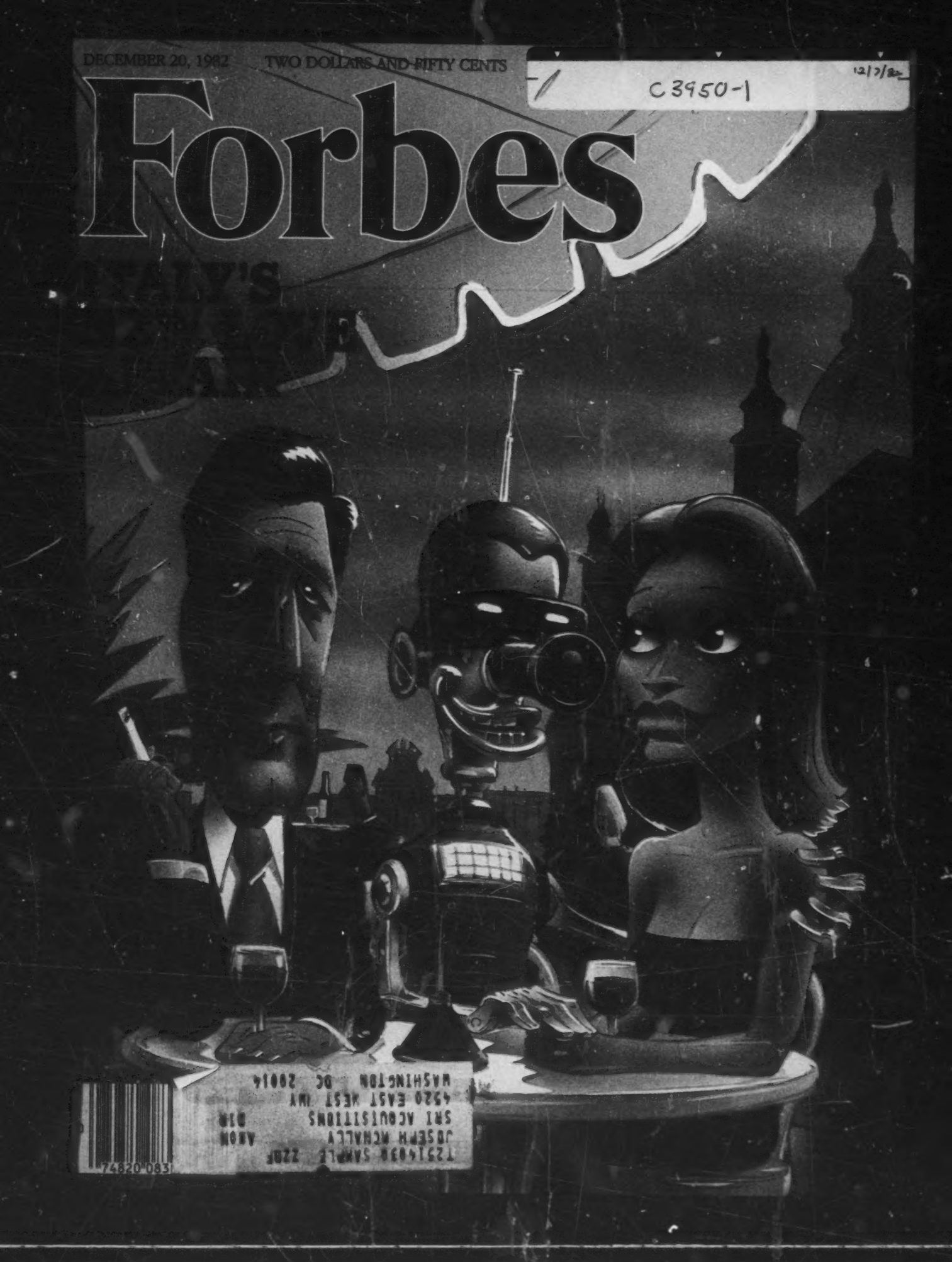
Forbes



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December 20, 1982
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Number 13

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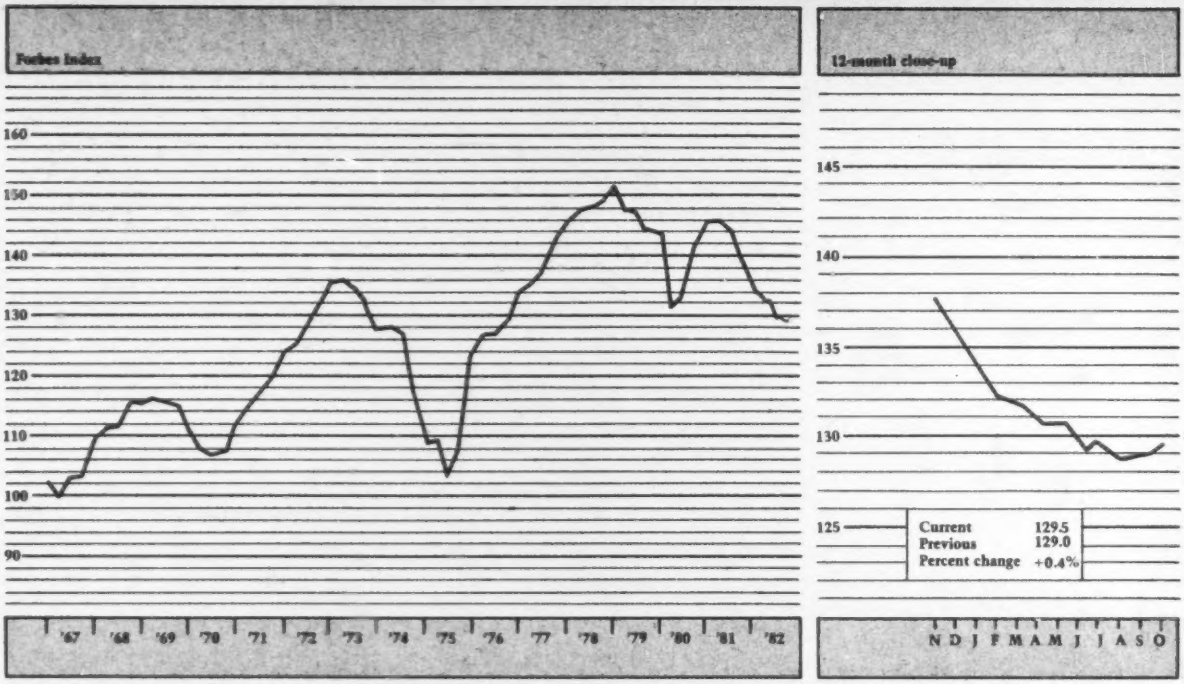
The Forbes Index



Onward and upward. The Forbes Index has posted its second consecutive gain. The main factor contributing to the rise was housing starts, which were up 5.6% in October, the highest level in more than a year. Personal income was also in the plus column, moving up 0.1% during the latest reporting period.

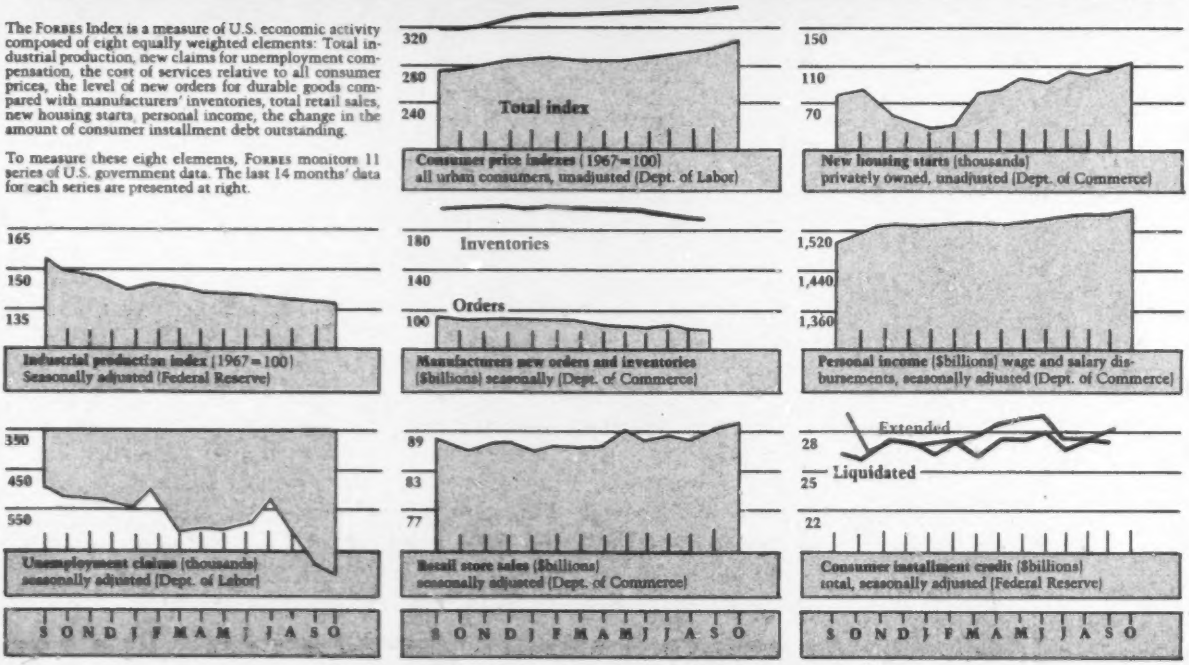
Inflation continues to climb, but at a much slower rate. October's 0.3% rise translates to a compounded annual rate of 3%. Similarly, price rises in the increasingly important service sector are moderating. The service index posted a 0.2% gain, which totals 2% on a compounded annual basis.

The bad news is that industrial production dipped 0.8%, following a 0.7% decline in September. Unemployment claims, a lagging indicator, were up 0.6% in October and have hit a new index high.

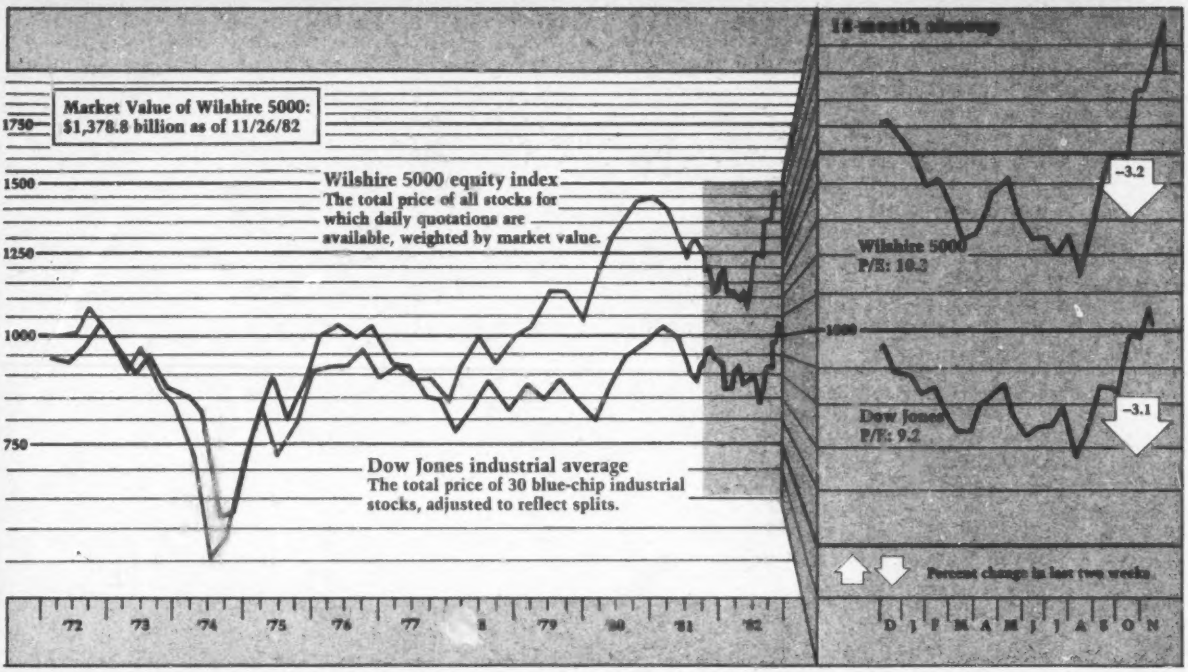
The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series are presented at right.



The Forbes/Wilshire 5000 Review


Market Value of Wilshire 5000: $1,378.8 billion as of 11/26/82
1750
1500
1250
1000
750
Wilshire 5000 equity index
The total price of all stocks for which daily quotations are available, weighted by market value.
Dow Jones industrial average
The total price of 30 blue-chip industrial stocks, adjusted to reflect splits.
'72 '73 '74 '75 '76 '77 '78 '79 '80 '81 '82
18-month slopes
-3.2
Wilshire 5000 P/E: 10.3
1000
-3.1
Dow Jones P/E: 9.2
Percent change in last two weeks
D J F M A M J J A S O N

Weathering the storm. The market was tossed around over the last two weeks but managed to escape largely unscathed. One particularly encouraging sign: Although the Dow ended the recent two-week period with a 3.1% loss, it still managed to stay at or close to the 1000 level for more than 34 successive trading days. During the two weeks, the NYSE and the broadly based Wilshire index performed almost in step with the Dow. The most resistant group of stocks were those traded on the NASDAQ exchange. These issues declined only 1.7%.

Smaller firms continue to show strength. Over four weeks the NASDAQ outperformed the other major indexes by a wide margin—NASDAQ issues are up 7.5%, whereas the Wilshire is ahead only 2.0% and the NYSE 1.5%. On a 52-week performance basis the NASDAQ is now neck and neck with the Dow. Another sign of the shift in investor focus away from big-capitalization stocks is the present P/E ratios of the Wilshire and the Dow. In the most recent two weeks price/earnings multiples slipped, but the P/E on the Wilshire, 10.3, is still more than a point higher than the P/E on the 30-stock Dow. A note of caution: The fact that earnings multiples fell at a time when stock prices were declining indicates that corporate earnings are shrinking faster than are stocks.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	2.0	0.7	1.6	1.5	3.3	7.5
in last 52 weeks	6.7	NA	13.7	7.5	0.1	13.7

Stock performance based on five key investor yardsticks

Percent change	Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	10.9	4.2	7.9	10.9	3.1	11.4	10.9	4.6	4.1	12.4
in last 52 weeks	28.6	19.3	10.6	40.1	18.7	41.3	33.5	21.9	12.6	24.7

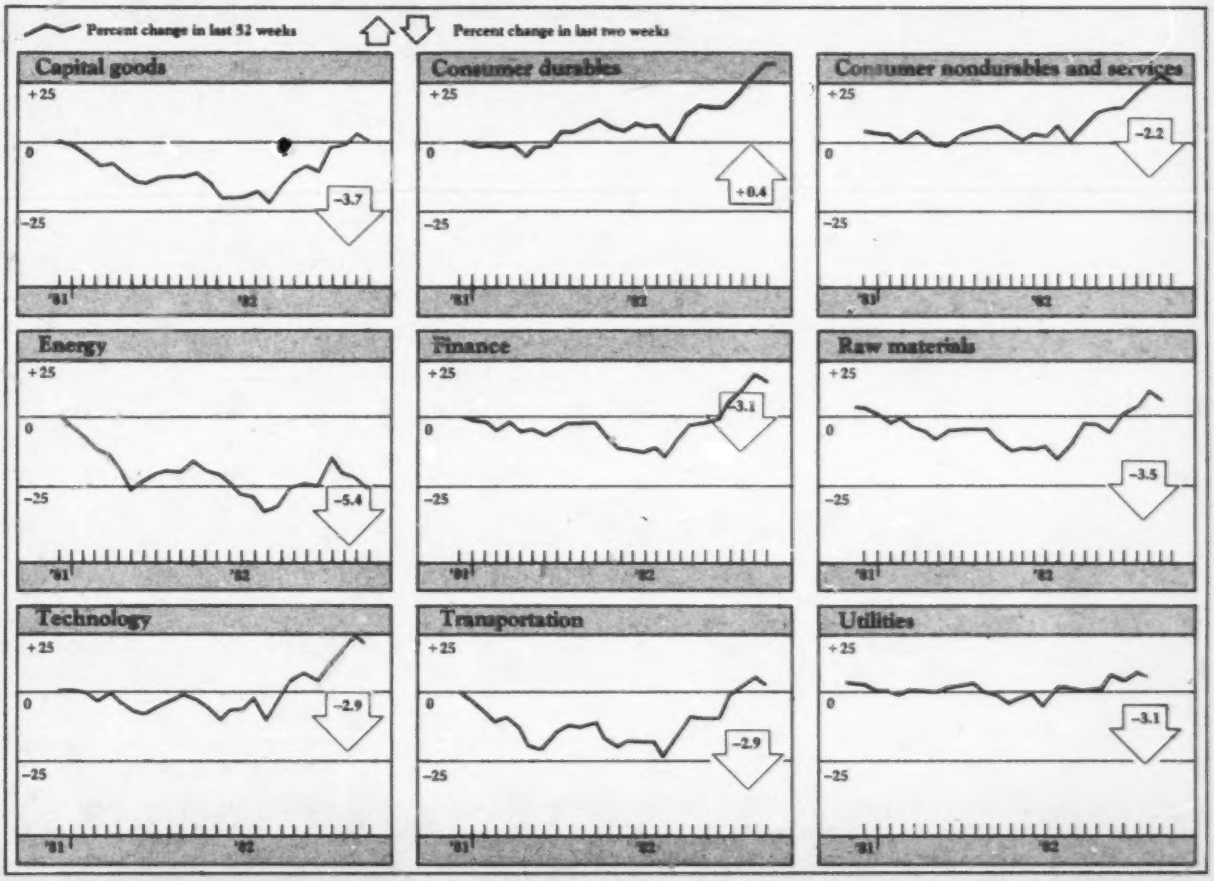
NA: Not available.
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 11/26/82. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

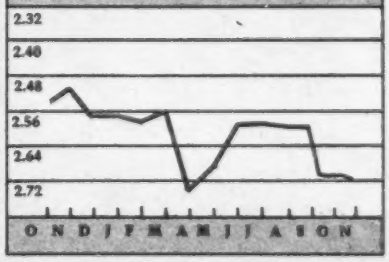
Taking off in the dark. The 2.9% two-week decline in transportation issues obscures the fact that several major airlines had strong gains over the last few trading sessions of the reporting period. With some improvement in auto sales and new housing starts, meanwhile, the two consumer sectors outperformed the Wilshire, but consumer durables were the only group to show an actual gain, a 0.4% advance over the two-week period.

Energy issues continue to take a beating, losing 5.4% over the two weeks and 6.5% over the month. Although this sector gained almost 9% since late August, it is still almost 30% below its level of 52 weeks ago. In contrast, the remaining eight sectors show one-year gains ranging from 1.5% to 47%.



What The Analysts Think

Sitting on a fence. In the last two weeks the consensus measurement for all nine sectors moved slightly closer toward the sell side. Consumer nondurables made the biggest change in rank, jumping from sixth to fourth place. Meanwhile, energy dropped another notch—an indication that the experts are at least as pessimistic as ever.



Rank	Sector	Current opinion	Rank 2 weeks ago	Rank 4 weeks ago
1	Technology	2.42	1	1
2	Capital goods	2.56	2	2
3	Utilities	2.65	3	3
4	Consumer non-durables	2.76	6	6
5	Energy	2.79	4	4
6	Finance	2.79	5	5
7	Transportation	2.80	7	7
8	Raw materials	2.81	8	8
9	Consumer durables	2.92	9	9

Opinion ratings are ranked on a scale of 1 (strong buy) to 5 (strong sell). Data reflect the views of 200 institutional analysts. The consensus of opinion graph is the composite rating of 1,200 stocks, while the sector breakdowns correspond to industry groups graphed above. All figures are weighted for market capitalization.

Note: All data for periods ending 11/26/82. Prepared by Wilshire Associates, Santa Monica, Calif.

April showers bring May flowers and the IRS. But first comes December tax-selling, which sometimes brings stock bargains.

Winter solstice

By Steve Kichen

THOSE INVESTORS WHO STUCK with the market over the last couple of years are likely to gaze back upon 1982 with fond memories. At this point the Wilshire index is up 11.6% since the start of the year, the Dow, ahead 18%, and the Forbes 500 (sales) companies, up approximately 14%. Unfortunately, those that profited handsomely have a partner—the taxman—who will want a cut of the action.

Capital gains can be reduced with offsetting capital losses, but relatively few stocks are down this year and hence candidates for tax-loss selling. Those securities that are, therefore, are also likely to be sold all the harder in December. On the other hand, some of those losers could rebound sharply in January, after the selling pressure is off.

FORBES called upon the computers at Wilshire Associates of Santa Monica, Calif. to isolate NYSE and NASDAQ issues that had lost significant ground in 1982 but whose present position held out hope for a recovery. We required companies to have latest 12-month earnings of at least 50 cents and a price/earnings multiple at or below the recent multiple on the Wilshire, 10.6. In addition, we eliminated stocks selling for less than $5 a share because of the inherent volatility of such issues.

It's no surprise that energy issues dominate the list—they have been market pariahs since fall 1980. The energy sector of our Wilshire report *(see p.160)* is off almost 30% over the last 52 weeks. Nevertheless, it is still surprising how far individual energy issues have fallen. Take Global Marine, recently priced at 9⅞. Over the last 52 weeks this issue had a peak of 25¼, and it sold as high as 36¼ earlier in 1981. Kenai, Unit Drilling & Exploration, Barton Valve, Dawson Geophysical, Sage Drilling and Service Fracturing present similar pictures: All show at least 59% declines from their 52-week highs.

Many of these issues are now selling at seemingly depressed levels relative to depressed earnings and to yield and book value. If you consider that, as investors liquidate their positions, these losers could drop a few more percentage points between now and Dec. 31, a number of these lagging issues could become downright tempting.

One of the choicest of the losers appears to be McDermott. It is selling at a 20% discount from book value, less than 4 times earnings, and yields 9.9%. And it has a debt-to-equity ratio of 34%. Watch the debt loads on some of these companies. Many of the smaller oil-related firms, in particular, took on higher levels of debt in 1982 to increase capacity, which is

NYSE stocks to beat the taxman with

In this rally, oil stocks are about the only issues that have failed to catch fire. Thus, the following table of potential candidates for tax-loss selling is thickly populated with energy shares.

Company	Recent price	52-week price range	—Latest 12-month— EPS	P/E	Yield	Debt/ equity	Return on equity	Book value/ share
AMF	17⅞	28½–12¼	$3.05	5.9	7.6%	34%	9.0%	$20.94
Apache Corp	11⅛	21⅛– 7⅛	1.20	9.3	2.2	124	13.4	8.62
Baker Intl	22¾	42 –17⅝	4.10	5.5	4.0	52	23.8	14.13
Cameron Iron Works	20	50½–16	4.56	4.4	2.0	44	21.7	16.67
Celeron	20¼	40 –14	3.91	5.2	3.0	29	39.8	12.51
Cleveland-Cliffs Iron	18¼	32⅞–16	1.81	10.1	9.9	24	12.2	30.11
Continental Illinois	21⅞	37⅞–15⅛	2.92	7.5	9.1	69	14.9	43.21
Cooper Inds	24⅞	55⅛–19¼	5.32	4.7	6.1	21	24.0	24.70
Daniel Inds	10½	23⅛– 8⅝	1.66	6.3	1.7	24	17.4	9.86
Dresser Inds	19⅞	37⅛–12¼	3.19	6.2	4.0	15	16.5	24.51

NA: Not available.

Sources: Wilshire Associates; Forbes

Statistical Spotlight

now lying idle.

The debt-to-equity ratios for most of the companies in the accompanying tables have been updated to reflect latest quarterly reports. Several oil or oil-related firms such as Dyco Petroleum and Inexco Oil have ratios in excess of 125%. Oxoco tops the list, with a debt-to-equity ratio of 397%.

Another highly leveraged company is U.S. Steel. It closed its 1981 books with $2.3 billion in long-term debt and with debt only 35% of equity. After the Marathon merger, long-term jumped to a whopping $7.5 billion, and debt is now 118% of equity.

Although our tables are dominated by pure energy plays, there are a few notable exceptions. AMF is hurting from decreased sales and a corporate restructuring. In addition, energy services and products contributed more than a third of the company's profits in 1981. Continental Illinois is now carrying more than $2 billion in nonperforming assets on its books.

SPS Technologies is suffering from depressed markets for its fasteners used in aerospace, automotive, machine tool and farm equipment tools. Other nonenergy firms that made our tables of tax-selling candidates include: Quanex (special steel tubing),

NYSE stocks to beat the taxman with

Company	Recent price	52-week price range	—Latest 12-month— EPS	P/E	Yield	Debt/ equity	Return on equity	Book value/ share
Dyco Petroleum	14½	27 –11⅛	$2.23	6.5	1.7%	160%	32.9%	$ 6.12
Enterra	21	54⅛–20	5.90	3.6	4.0	53	32.1	17.97
Equitable Gas	24	40⅛–18¾	4.67	5.1	6.3	66	19.8	25.22
First Mississippi	9⅞	16⅞– 6	1.08	9.6	2.4	40	21.5	6.42
Galveston Houston	18¼	36⅛–14⅛	3.22	5.7	2.8	102	23.4	17.05
Gearhart Inds	13	28½–10¼	1.53	8.5	2.8	57	17.7	12.82
Geo Intl	11¼	39 – 7½	3.37	3.5	2.0	52	35.0	11.92
Global Marine	9⅞	25⅛– 7¼	2.96	3.3	2.4	135	20.3	12.84
Halliburton	30⅝	60⅛–21	5.55	5.5	5.2	23	21.3	26.87
Helmerich & Payne	18⅛	39¼–13⅜	3.28	5.5	1.8	32	24.5	11.98
Hughes Tool	18⅜	44⅛–14⅜	3.73	4.9	4.6	52	22.2	20.88
Inexco Oil	8⅛	25½– 6⅜	1.01	8.8	1.6	144	13.6	9.67
Kenai	6	19½– 4⅛	1.93	3.1	1.7	137	14.1	11.92
LTV	11⅛	18⅜– 8¼	4.26	2.6	4.5	105	30.0	26.79
McDermott	18¼	41⅞–14¼	5.01	3.6	9.9	34	16.5	22.71
Moore McCormack Res	19⅜	31⅛–11⅜	2.81	7.0	5.3	148	15.0	40.06
Moran Energy	12	27⅛– 7⅛	1.47	8.2	1.0	95	17.5	10.93
Napco Inds	9¼	1 ⅛– 7⅛	0.94	9.8	2.6	53	13.2	6.52
NL Inds	17	45⅛–14¼	5.25	3.2	5.9	59	26.8	17.52
Northwest Inds	38¼	80½–32½	11.47	3.4	11.4	77	40.7	40.94
Oak Industries	14⅜	32⅛– 9	2.14	6.7	1.7	89	11.6	18.45
Parker Drilling	9½	23 – 7⅛	2.65	3.6	1.7	87	25.4	10.78
Pioneer Corp	20¼	31⅞–12	2.67	7.6	4.9	93	29.4	10.06
Pittston	14	29⅛–11⅞	1.95	7.2	4.3	43	6.4	17.67
Quanex	7⅜	26 – 6	1.17	6.3	8.1	109	24.3	12.19
Raymond Intl	13¼	22⅛– 9⅛	2.36	5.8	7.3	40	10.8	24.39
Reading & Bates	13¼	28 –10	3.22	4.1	6.0	95	24.1	13.07
Rowan Cos	9¾	17⅞– 7	2.75	3.4	0.8	22	27.2	8.23
Smith Intl	24⅞	49 –18	5.15	4.8	3.9	24	21.7	27.10
SPS Technologies	13½	25½–10⅞	2.63	5.1	5.3	19	18.4	25.33
Sun Co	30½	48⅛–26¼	4.87	6.3	7.5	43	21.8	40.88
Tidewater	21¼	44 –15½	4.10	5.2	4.2	62	25.7	17.94
Transco Energy	27¼	47⅛–24	5.97	4.6	6.6	165	21.5	27.64
Tricentrol Plc	5⅛	10⅛– 5⅛	0.82	7.2	6.1	23	14.7	5.04
Trico Inds	8⅛	16½– 5½	1.14	7.7	1.8	39	22.3	6.37
Unit Drilling & Explor	6⅞	25 – 4¾	1.22	3.1	—	72	30.5	8.05
US Steel	19⅞	32⅛–16	4.10	4.8	5.0	369	17.2	70.17
Varco Intl	5⅛	19⅛– 4⅞	1.01	5.8	2.0	103	31.3	6.53
Western Co of No Amer	8⅛	26⅛– 7¼	1.87	4.6	2.8	183	29.0	7.82
Zapata	16¼	35⅛–11⅛	4.24	3.8	4.4	123	20.9	18.30

NA: Not available

Sources: Wilshire Associates, Forbes

Statistical Spotlight

Ambassador Group (insurance), Cross & Trecker (automated machinery), C3 (computer systems) and Docutel/Olivetti (office equipment).

There is nothing to keep the losers of 1982 from losing more in 1983. In fact, in a recent analysis of analyst buy-sell opinions by Wilshire Associates *(see p. 160)*, institutional analysts are more bearish on energy stocks now than they were just two weeks ago. Maybe it will take another year or two for energy supply and demand to reach a more profitable equilibrium. But when the market corrects itself on energy issues, it is likely to overact on the upside—just as it did on the downside.

In the meantime, a number of the stocks in these two tables are priced at bargain-basement levels and could, at least, start out 1983 on a more positive note, as new investors are attracted to their relative cheapness and those who sought tax shelters of 1982 plow their profits back into the market. ■

NASDAQ issues for beating the taxman

These issues have declined by 28% or more since the start of 1982, and they could still lose a bit more ground in end-of-year tax-selling. Sometimes such bargain-priced shares rebound early in the next year.

Company	Recent price	52-week price range	—Latest 12-month— EPS	P/E	Yield	Debt/ equity	Return on equity	Book value/ share
Ambassador Group	7¼	18⅜– 7	$1.48	4.9	3.9%	nil	21.2%	$ 8.03
Amtec Inds*	5½	9 – 5½	0.80	6.9	—	29%	37.5	2.67
Aztec Manufacturing	8½	19½– 6¾	1.80	4.7	4.7	3	44.9	5.40
Barton Valve	7½	30 – 4¾	1.58	4.7	—	10	34.5	4.53
Bmlorne Res Ltd	5¼	11⅞– 3¾	0.97	5.4	2.3	130	35.2	1.77
Cross & Trecker	18⅛	29⅛–12⅜	3.13	5.8	4.4	7	21.9	15.17
C3 Inc	9¼	23¾– 7	1.02	9.1	—	3	24.1	4.66
Dawson Geophysical	6	16 – 4⅛	0.98	6.1	—	9	22.1	4.67
Dickey-john	9¾	17⅛– 8½	0.95	10.3	2.5	9	8.1	12.21
Docutel/Olivetti	16¼	31⅛–16	1.75	9.3	—	35	–12.1	12.85
Econo-Therm Energy Sys	6	11⅛– 5¾	0.84	7.1	—	187	4.4	0.73
First Coml Bancorp	6½	9½– 6½	0.62	10.5	—	0	6.8	10.66
Fremont General	10⅛	18 – 5⅛	1.17	8.7	4.7	44	13.2	11.94
General Binding	9⅛	13½– 8½	1.21	7.6	3.0	23	11.4	13.19
Hadson Petroleum	5¼	19⅛– 5	1.32	4.0	—	59	26.5	2.98
Hamilton Bros Petrol	9¼	24½– 8¾	0.87	10.6	1.1	47	10.3	12.05
Harper Group	25	35 –21	2.58	9.7	1.1	0	27.4	9.65
Impell	27¾	42 –14½	2.83	9.8	1.4	1	33.6	7.63
Integrity Finl Group	7¼	12⅛– 5¼	1.33	5.5	4.4	NA	25.5	5.99
Intl Shipholding	5¼	8⅛– 4¼	0.78	6.7	—	256	NM	12.41
Manitowoc	18¾	27½–14½	2.95	6.4	4.3	0	19.4	14.58
McCormick Oil & Gas	7¼	23⅛– 6	1.12	6.9	—	106	46.7	3.92
McFarland Energy	8⅛	13⅛– 6⅛	0.88	9.8	—	0	20.1	4.97
Mechanical Technology	5	8½– 4	0.60	8.3	—	27	18.1	7.09
Nicklos Oil & Gas	5⅛	22⅛– 4	0.88	5.8	—	34	15.0	10.66
Oceaneering Intl	12¾	22⅛–11¼	1.48	8.6	—	nil	24.5	5.40
Offshore Logistics	11⅛	20½– 9½	3.07	3.8	4.1	165	10.5	19.71
Optimum Holding	7	11⅛– 6¾	1.26	5.6	—	0	15.7	8.63
Oregon Metallurgical	11	24 – 8	1.24	8.9	—	nil	50.4	5.23
Oxoco	7	17⅛– 5⅛	1.13	6.2	—	397	24.0	3.37
Pacific Resources	10¼	15⅞– 8½	1.70	6.0	5.5	187	20.3	7.94
Petroleum Equip Tools	8⅛	33⅛– 6¾	2.77	2.9	—	40	30.0	9.91
Sage Drilling	5½	13½– 4⅛	1.70	3.2	—	9	16.9	7.30
Service Fracturing	5	20½– 3½	1.07	4.7	—	42	20.6	6.39
Stewart & Stevenson Svs	12⅞	21⅛–10¼	3.20	4.0	3.1	47	16.8	19.82
Tidelands Royalty Trust	10½	24 –10½	1.12	9.3	10.5	0	NM	NM
Tucker Drilling	8⅛	18 – 7⅞	2.03	4.4	—	11	31.0	8.15
US Mut REIT	5¼	8⅛– 5¼	0.89	5.9	11.4	263	NA	8.57
Westmoreland Coal	15¼	25 –14	2.79	5.5	—	29	NM	23.97
Wiser Oil	15¼	39 –13¼	1.44	10.6	5.8	0	17.8	3.10

*Name recently changed to Nature's Sunshine Products. NA: Not available. NM: Not meaningful. nil: negligible. *Sources: Wilshire Associates; Forbes*